

Medicaid FFS vs. RItE Care vs. Commercial plans – Evaluating The Options

Table 1. Context for options

	Medicaid FFS	RItE Care	Commercial
Number of Lives (approx.)	64,000	120,000	600,000
Size of Hospital Inpatient Payments (\$ millions - estimated)	\$145	\$85	\$400
Size of Outpatient Payments (\$ millions – estimated)	\$45	\$65	\$500
State's Role	Payer	Purchaser	Regulator of Conduct and Premium
If desired - how would state implement DRG-based payment system?	Legislation, Regulation and Policies/Procedures	Legislation on contracts with health plans → contracts with hospitals	Legislation, administrative restructuring, analysis, policies etc.

Table 2. Options for “similar payment method applied by all”

	Payment Methodology	Rates
1	“DRG-Based” – final choice up to insurer based on regulated standards.	Base rate negotiated between hospital and insurers and publicly disclosed. Outliers, transfers etc. are negotiated as well.
2	Imposed by regulation, based on Medicaid policy – includes grouper, policy adjusters, transfer pricing, outliers, add-ons, etc.	Base rate negotiated between hospital and insurers and publicly disclosed.
3.	Imposed by regulation, based on Medicaid policy – includes grouper, policy adjusters, transfer pricing, outliers, add-ons, etc.	Base rate set publicly though rate setting process (similar to Maryland).